

NFA 045-81/1

NATIONAL FOREIGN ASSESSMENT CENTER


WASHINGTON, D. C. 20505

6 January 1981

NOTE FOR: Director, OER

Maurice:

Please send this back up again after
20 January -- when we know whether the new
DCI has strong feelings one way or the other
about unclassified papers.


Helene L. Boatner
ADD/NFAC

STAT

NFAC 045-81

MEMORANDUM FOR: Deputy Director
National Foreign Assessment Center

SUBJECT : Request to Publish an Unclassified
Report

We request approval to publish the attached paper, US Export
Export Competitiveness: A Review and Evaluation, as an unclassified
research report. The findings of the study should prove useful to
both analysts and policymakers in many US Government agencies con-
cerned with US export performance and the balance of payments.
The report is a follow-on to one published on an unclassified basis
last year, which turned out to be a best seller.

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MAURICE C. ERNST
Director
Economic Research

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As stated

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(2 Jan 80)

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US Export Competitiveness: A Review and Evaluation

73.0009

Information as of September 1980 has been used in preparing this report.

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US Export Competitiveness: A Review and Evaluation*

Overview

Favorable trends in US export prices relative to those of competitors have spurred sharp increases in US export volume since 1977 and have led to continued improvements in the US competitive export position. In both 1978 and 1979 US export volume grew by about 11 percent, outstripping all major competitors. As a result, the US share of developed country exports to the world increased by about two percentage points, bringing it to the highest level since the mid-1960s.

About half of the increase in US export volume in 1979 was due to growth in the world market; the other half resulted from an improvement in the US competitive position. Competitiveness, mainly a reflection of lower relative prices, accounted for about two-fifths of the gain in developed country markets and all of the gain in the overall LDC market. US gains in LDC markets came largely at the expense of Japan; gains in developed country markets cut into the shares of the United Kingdom, West Germany, and, to a lesser extent, Japan.

Although the slowdown in developed country trade reduced the growth of US export volume during 1980, the US market share almost certainly continued to rise. We estimate that US sales volume actually declined slightly in second half 1980, cutting growth for the year to about 5 percent. Even so, the United States probably continued to outperform its competitors.

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In 1981, meager growth of developed country export volume will mean little or no growth in US export volume. Moreover, the decline in US relative export prices appears to have bottomed out in late 1979-mid 1980. The lagged effect of these price levels will probably lead to only a small increase in the US share of developed country exports in 1981.

Market Trends in Perspective

From the time post-war recovery was completed in Europe and Japan, in about 1960, the US share of developed country export volume to the world fell steadily for a decade. The slide occurred first in the developed markets and then spread to the LDCs beginning in 1965. By 1971, the US share of developed country exports had slipped to 20 percent from 26 percent in 1960. The loss in relative shares was greatest in Japan, down 9 percentage points in the 11 years.

The break with fixed exchange rates in 1971 followed by US success in gaining greater equality in market access spelled an end to the long decline. As the dollar plunged to new lows, the US share of world markets began to climb. US gains were spiked in 1974, however, as the OPEC oil price hikes spread recession through the world and sent all the developed countries scrambling to boost exports, trim imports, and balance their current accounts. The dollar began to appreciate, spurred by demand for dollars to pay oil bills, OPEC preference for US investments, and Tokyo's reluctance to let the market determine the value of the

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yen. During 1976-77 the Japanese share of developed country exports jumped 1.5 percentage points while both West European and US shares fell. US losses were particularly pronounced in LDC markets.

The long delayed revaluation of the yen against the dollar-- 41 percent between 1976 and 1978--once again reversed the trend in US market shares. The United States recovered markets rapidly, gaining over 3 percentage points in LDC markets and nearly 1 percentage point in developed markets in 1978-79. The gains were almost universally at Japan's expense (see Figure 1 and Table 1).

The US position vis-a-vis major competitors continued to improve in 1980, although at a much reduced pace. Inflation is accounting for an increasing share of trade gains; US export prices were up 7 percent in 1978, 14 percent in 1979, and an estimated 12 percent in 1980 (see Figure 2). Meanwhile, export volume growth declined from 11 percent in both 1978 and 1979 to about 5 percent at a seasonally adjusted annual rate in 1980. Nevertheless, the US market share continued to make modest gains.

Recent Performance

Volume During 1979, US export volume was buoyed by the continued strong economic performance of the developed countries. Shipments to Western Europe accounted for two thirds of the 13 percent growth in US export volume to developed countries, even though sales to Japan grew slightly faster -- 20 percent vs 19.4 percent. Sales to Canada and the other developed countries rose 2.6 percent and 5.8 percent, respectively. In the

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Figure 1

United States: Share OF Developed Country Exports.
1960 - 1980*



Table 1

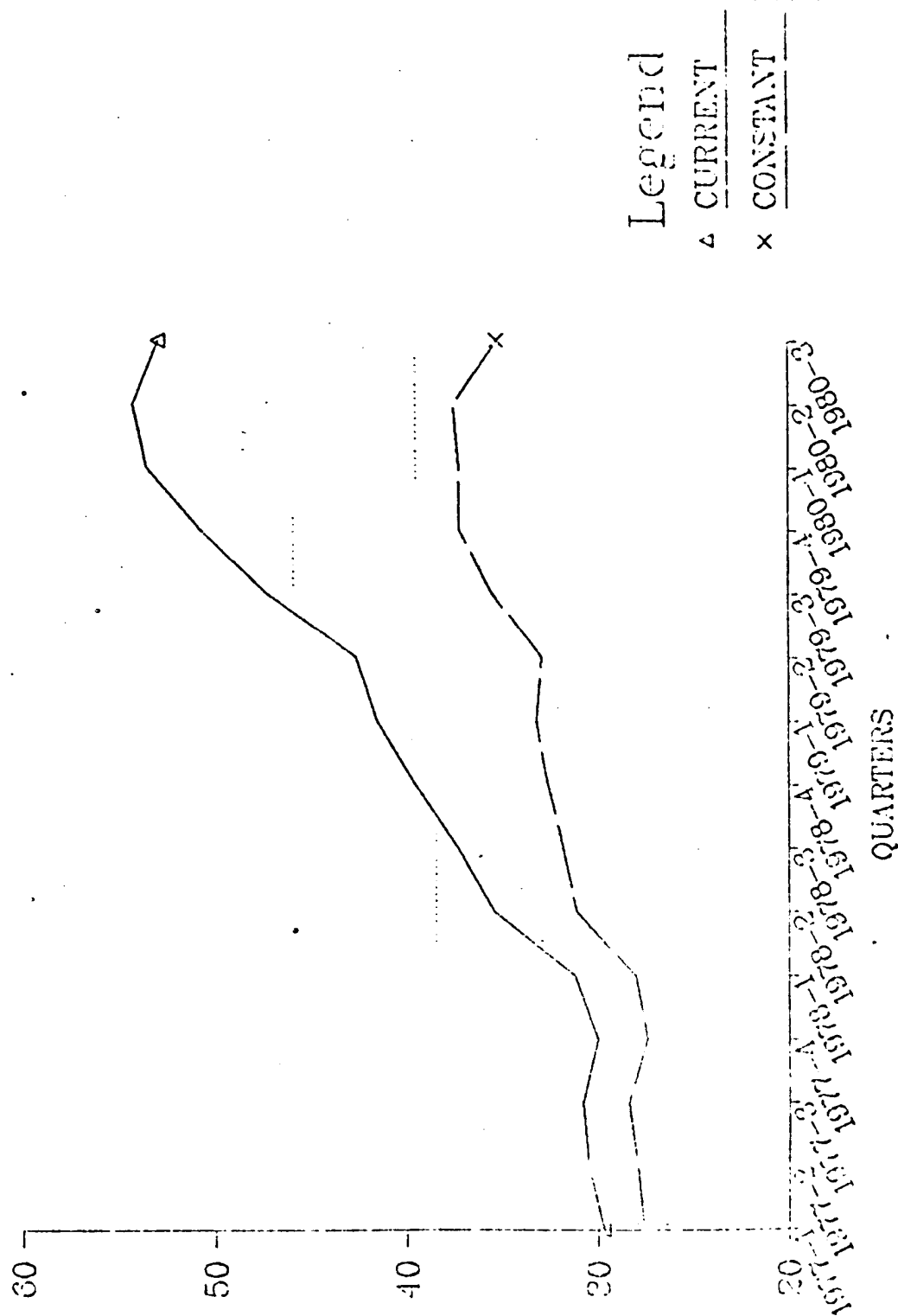
Share of Developed Country Exports to Selected Markets.
(percent)

To World						To Oil-exporting LDCs					
Exporter	1975	1976	1977	1978	1979	Exporter	1975	1976	1977	1978	1979
US	18.7	17.7	17.0	17.8	18.6	US	27.8	26.5	24.8	27.0	27.9
Germany	15.9	16.0	16.0	15.8	15.8	Japan	15.6	15.7	16.6	15.3	15.3
Japan	9.4	10.8	11.3	10.5	9.7	Germany	13.3	14.1	14.4	13.8	12.2
France	9.3	9.3	9.4	9.5	9.7	France	10.5	9.8	9.3	8.9	9.0
UK	7.8	7.6	7.9	7.6	7.4	Italy	7.4	7.6	8.2	9.4	8.6
Italy	6.1	6.3	6.4	6.7	6.7	UK	9.1	9.1	9.1	8.9	7.2
Canada	6.0	6.1	6.3	6.5	6.3	Neth	2.7	2.9	2.8	2.9	3.1
Neth	6.2	6.3	5.9	5.7	5.8	Bel/lux	2.5	2.4	2.7	2.6	2.6
Bel/Lux	5.1	5.2	5.2	5.1	5.1	Spain	1.7	1.6	1.7	2.2	2.5

To Developed Economies						To Non-oil LDCs					
Exporter	1975	1976	1977	1978	1979	Exporter	1975	1976	1977	1978	1979
Germany	17.2	17.2	17.3	17.2	17.4	US	30.6	28.6	25.6	27.7	26.4
US	16.7	15.4	15.1	15.3	15.9	Japan	22.4	25.4	26.0	25.2	23.3
France	9.2	9.0	9.2	9.4	9.5	France	9.2	9.4	9.9	9.0	9.2
UK	7.9	7.7	7.9	7.6	7.7	Germany	8.9	8.8	8.7	8.1	6.2
Canada	7.1	7.3	7.6	7.8	7.3	UK	7.9	7.5	7.6	7.4	7.5
Neth	7.5	7.6	7.1	6.9	6.9	Italy	3.7	3.3	3.7	3.8	4.0
Italy	6.2	6.4	6.5	6.9	6.9	Austral	3.0	2.8	2.7	2.8	3.1
Japan	5.9	7.2	7.6	7.0	6.4	Canada	2.3	2.3	2.3	2.7	2.6
Bel/Lux	6.2	6.4	6.3	6.2	6.1	Neth	2.7	2.0	2.6	2.4	2.1

Figure 2

UNITED STATES: EXPORTS IN CURRENT AND CONSTANT 1975 DOLLARS
billions US dollars, seasonally adjusted



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first nine months of 1980, the growth in US sales volume to developed countries began trailing off, as a slump in exports to Canada, Japan, and other Western Europe overshadowed continued gains to the European Community (see Table 2).

The growth in US sales to LDCs in 1979 was less than half that to developed countries but still impressive relative to other major exporters. While total developed country export volume to LDCs fell by 0.1 percent in 1979, US exports increased by 5.5 percent. The United States held its own in shrinking LDC markets and outperformed other exporters in a few rapidly growing markets (see Table 3).

- o Oil-exporting LDCs trimmed purchases by more than 7 percent in 1979, but US sales to these countries slipped only 4 percent.

- o A 75-percent drop in US sales volume to Iran was only partially offset by slight gains in other Middle East markets; US sales to the entire Middle East region were off by 20 percent.

- o US export volume to Mexico jumped 30 percent in 1979 for the second year running. Gains there accounted for half of the increase in US sales to all of Latin America.

- o Shipments to Singapore, Taiwan, and South Korea accounted for two-thirds of the 22-percent increase in export volume to the Far Eastern LDCs.

Through the first nine months of 1980 US shipments to the Third World picked up substantially. Volume was up 18 percent at

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TABLE 2

United States Exports To Selected Markets

Markets	Value (Billions US \$)-			Volume Growth (Percent)			Volume Share (Percent)		
	1978	1979	1980 (Jan-Sep)	1978	1979	1980 <u>1/</u> (Jan-Sep)	1978	1979	1980 <u>4/</u> (Jan-Sep)
World	144	182	164	10.8	11.3	9.3	17.8	18.4	19.2
World <u>2/</u>	-	-	-	-	-	-	20.1	20.8	21.3
Developed Economies	88	113	100	7.2	13.0	8.4	15.3	15.9	16.5
Developed Economies <u>2/</u>	-	-	-	-	-	-	18.2	19.5	19.1
Japan	13	18	16	14.4	20.0	7.5	49.4	51.9	54.9
Canada	28	33	26	2.9	2.6	-9.6	81.7	82.7	81.6
European Community	32	43	42	10.6	16.8	23.4	10.4	10.9	12.2
Other West Europe	7	11	10	-5.1	30.3	7.1	9.0	10.4	10.4
Other Developed	7	8	7	12.8	5.8	6.5	22.6	23.3	23.6
LDCs	51	61	58	13.9	5.5	18.0	27.4	28.9	29.1
By Region:									
Latin America	22	29	28	14.6	13.7	25.2	48.3	51.2	53.7
Middle East	12	11	8	13.4	-19.6	-4.6	22.5	20.3	17.4
Far East	12	17	16	17.3	22.1	15.0	26.7	29.6	30.7
Asia and Africa	5	5	5	7.0	-13.0	32.3	12.1	11.4	12.2
By Oil Trade Position									
Oil Exporting Ldcs <u>3/</u>	26	28	27	14.5	-4.2	24.0	27.0	27.9	27.2
Non-Oil Ldcs	25	33	30	13.2	15.5	12.5	27.7	29.8	31.2
Other	5	8	6	12.8	5.8	-35.5	10.8	14.4	12.3

1/ 1st 9 months of 1980 at seasonally adjusted annual rate.

2/ Excludes sales to the United States, the largest individual import market for DC exports. To the extent that US imports are rising faster (slower) than imports by rest of world, competitors are assessed against a much larger (smaller) increase in world trade and shares than the United States.

3/ Includes all net oil exporters in 1977.

4/ Preliminary.

Table 3

Developed Countries: Export Volume Growth to Selected Markets.
(1979 over 1978)

(Percent)

Markets	Developed Countries	US	Japan	W. Germany	France	UK	Italy	Canada
World	6.5	11.3	-1.3	6.8	9.1	3.8	6.7	2.9
(World, excluding United States)	6.9	11.3	-1.4	7.4	9.8	3.6	7.5	12.6
Developed Countries	8.7	13.0	-0.2	10.2	10.3	10.5	9.2	1.9
(Developed Countries, excluding United States)	10.6	13.0	0.9	11.3	11.5	11.2	10.6	16.7
United States	-1.2	-	-1.0	-0.6	-3.6	5.6	-3.2	-1.6
Japan	14.1	20.0	-	15.4	30.5	0.9	25.3	11.0
Canada	1.4	2.6	-13.3	8.1	-7.8	-5.7	-3.3	-
European Community	11.5	16.8	6.7	12.4	10.7	14.9	9.7	19.4
Other Western Europe	12.9	30.3	-4.4	10.4	17.7	11.7	13.4	32.5
Other Developed	3.0	5.8	-3.4	3.0	1.0	-4.3	12.2	8.0
LDCs	-0.1	5.5	-1.5	-8.7	7.7	-15.0	0.6	-5.3
By Region:								
Latin America	7.2	13.7	-7.0	0.9	22.8	-11.1	2.9	-6.7
Middle East	-10.8	-19.6	-8.7	-21.0	7.3	-19.0	-3.2	-19.8
Far East	10.0	22.1	4.8	10.5	7.7	-2.1	18.1	15.5
Asia-Africa	-5.3	-10.6	-7.1	-8.2	3.6	-18.0	0.7	-8.9
By Oil Trade Position:								
Oil Exporting LDCs	-7.2	-4.2	-6.9	-18.3	3.7	-24.7	-4.9	-12.6
Non-Oil Exporters	7.4	15.5	17.8	10.6	12.4	3.5	14.2	-15.6
Other	4.7	40.1	-6.7	4.4	1.2	3.5	-2.5	23.8

1. Includes all net oil exporters in 1977.

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an annual rate, led by sharp jumps to oil-exporting LDCs. The resurgence in US sales to the LDCs cushioned slowdowns in the developed and Communist countries, particularly the USSR.

Market Shares

The 11 percent increase in overall US export volume in 1979 exceeded that of all major competitors, helping boost the US share of developed country exports to the world for the second year in a row. The US share rose by 0.8 percentage point, to 18.6 percent, if the US market itself is included and by 0.7 point, to 20.8 percent, if the US market is excluded.

Most of the gain in the US trade share occurred in the LDC markets. The US share grew by 1.5 percentage points from the 1978 level, to 29 percent. Although the US share fell sharply in Saudi Arabia, Nigeria, Iran, and several other important countries, the losses were offset by a sizable gain in the rapidly expanding Mexican market. The United States also did well in competition with the Japanese in the Far East, particularly in Singapore, Taiwan, and South Korea.

In developed country markets, impressive sales gains helped raise the US market share 0.6 percentage point, to 15.9 percent. The United States did especially well in Japan and non-EC Western Europe, increasing its market shares by 2.5 and 1.5 percentage points, respectively.

The US export share in the first nine months of 1980 reached 21.3 percent, up slightly from the comparable period in 1979 on the strength of gains in developed country markets. Among our major competitors, Japan and West Germany also improved their

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market position through September, while France, Italy, and the United Kingdom lost ground. Japan was partially recovering from major losses in its market share in 1979.

Market Growth vs Competitiveness

A country's export performance is measured in terms of changes in both volume and market shares. By using a constant share methodology,* we have separated the effect on exports of overall volume growth in markets from the impact of competitive factors--i.e., prices, tastes, tariffs, etc.

We estimate that roughly half of the total \$14 billion (1975 US\$) boost in US export volume in 1979 was due simply to maintaining 1978 shares in foreign markets, most of which were growing. In developed country markets, overall growth accounted for 63 percent of the \$10 billion (1975 US\$) real gain; on the other hand, market growth accounted for only 10 percent of the increase in US export volume to non-oil LDCs in 1979, and export volume to oil producers actually fell (See Table 4).

 *After isolating inflation by deflating nominal exports, the level of real US exports in 1979 was calculated assuming a constant 1978 market share. The potential change in 1979 exports using constant 1978 market share was attributed to aggregate market growth. Next, the effect of varying growth rates among key markets within an aggregate was isolated by assuming constant market shares and summing over the individual markets. The net addition or subtraction from the aggregate market change was attributed to partner growth adjustment. Thirdly, the increase or decrease in US exports due to world market growth was adjusted to eliminate distortions in markets where the United States is a buyer. This is called the US growth adjustment factor. Finally, the residual change in actual exports not assigned to market growth, partner growth adjustment, and US growth adjustment was attributed to competitive factors.

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Impact of Factors Affecting US Exports
(Million US\$)

	Change in Export Volume Due to:					
	Change In US Exports	Due to Inflation	Market Growth	US Growth Adjustment	Partner Growth Adjustment	Competi- Tiveness
World						
1978	22,432	10,268	6,919	-477	998	4,704
1979	38,138	24,066	8,066	1,227	-2,421	7,200
Developed Countries						
1978	11,187	6,094	4,106	-490	-96	1,573
1979	24,911	15,065	6,650	1,440	-1,912	3,669
LDCs						
1978	9,106	3,727	2,841	-	-1,626	4,164
1979	10,153	7,731	-42	-	-1,803	4,267
Non-Oil LDCs						
1978	4,357	1,825	1,846	-	-1,242	1,928
1979	7,834	4,475	1,614	-	-1,292	3,037
Oil-Exporting LDCs						
1978	4,749	1,902	1,028	-	1,070	748
1979	2,320	2,956	-1,614	-	725	-47

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The other half of the gains in real US exports in 1979 resulted from an improvement in US competitiveness vis-a-vis other major exporters. While price and income are both significant determinants of US export shares and levels, relative export prices* generally have been the most important determinant of changes in US export shares. Changes in US trade shares follow changes in the relative price of US products with a time lag. While the size of the lag varies among different markets, we have found the best overall relationship when prices are lagged by five quarters (see Figure 3).

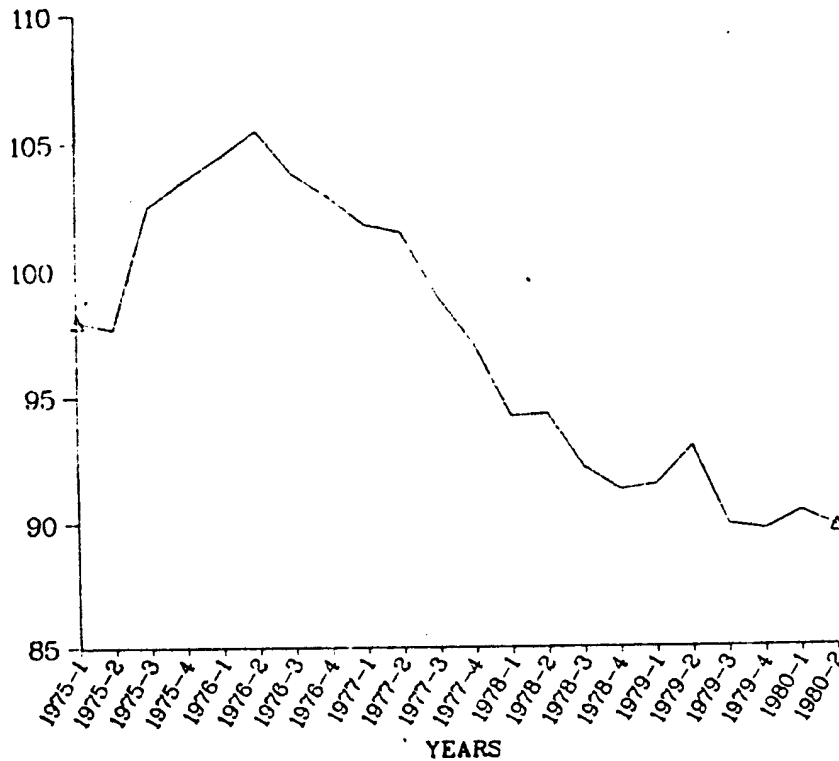
Because of the lagged effect of declining relative US dollar export prices, US exporters continually increased their share of sales to foreign markets in 1979. US relative export prices fell in all but one quarter from fourth quarter 1977 through third quarter 1978. Devaluation of the dollar through most of this period was the major factor in offsetting the competitive disadvantage of generally higher US inflation. In the developed country market, increases in market shares accounted for about 37 percent of US gains in volume shipments to that area. In the LDC markets almost all the volume growth was due to improved US competitiveness.

In the first two quarters of 1980 relative price changes proved a less reliable indicator of volume share movements,

*Relative export prices calculated in US dollars take account of both relative rates of export price changes in the United States and in developed country competitors and changes in exchange rates vis-a-vis the US dollar. The competitors price index is a weighted average of the export prices indexes weighted by the average trade share for 1976-78 in each market concerned.

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Figure 3

INDEX OF US EXPORT PRICE TO AVERAGE COMPETITORS PRICE*US REAL EXPORT SHARE IN NON-COMMUNIST MARKET*

*Quarterly scales vary by five quarters to show the lagged effect of export prices on market shares. Excludes United States as a market.

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perhaps because strong income growth in the major developed country markets overpowered the effect on shares of relatively modest shifts in prices. In fact, the US market share fell in the first quarter despite the decline in fourth quarter 1978 relative prices and then increased in the second quarter as prices turned up again in first quarter 1979.

Redistributing World Market Shares

As market shares shift from year to year, some countries obviously lose and some gain. In both 1978 and 1979, the United States made significant inroads, accounting for 19 percent of the total shift in trade shares in 1978 and 56 percent in 1979.* The US gain in the share of developed country exports in 1979 came mainly at the expense of Japan, which accounted for 53 percent of the share losses in the world market and figured predominantly in most component markets. The United States was the major gainer in nearly all markets in 1978 and 1979.

- o In Japan, US sellers took 71 percent of the market gains. Coincidentally, Australian losses almost equalled the US gains.
 - o In the EC market, US gains accounted for 38 percent of the market shift in 1979, sharply higher than the share of any European competitor.
 - o In Latin America, the United States captured 73 percent of the total shift in 1978 and another 68 percent in 1979.
- Japan was the big loser in both years.

*The shift is defined as the difference, in each import market, between actual and implied exports (in 1975 US\$) assuming the same market share as the previous period.

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- o A big increase in US sales to South Korea helped to boost overall US gains in the Far East to 86 percent in 1979. Japan again took the brunt of the losses--59 percent of the total (see Figures 4 and 5).

The dollar value of exports gained or lost due to share changes can be substantial. For example, from 1975 through 1979 the US share of nominal developed country exports to the world (excluding the United States) declined 1.7 percentage points. If the US market share had remained constant at the 20.9 percent level of 1975, cumulative exports over the four years would have totaled \$49 billion more than they actually did. This amount would have offset about 35 percent of the cumulative US trade deficit over the four year span.

Outlook

The strong US export performance in the first nine months of 1980 should assure an increase in US export volume and market share for 1980 as a whole. In the first three quarters of 1980, US export volume to the European Community rose 23.4 percent, helping to push up overall export growth to the developed countries by 8.4 percent. At the same time, shipments to LDC markets were up 18 percent. Substantial growth in the volume of sales to Latin America and Far Eastern LDCs more than offset the decline in exports to the Middle East. Overall, US export volume should increase by about 5 percent for the year.

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Figure 4

Distribution of Winners and Losers in World Trade, 1978									
Losers									
World	JAPAN	UK	OTHER	OTHER	SPAIN	ITALY	U.S.	WINNERS	
	44	16	17	27	49	15	17	19	
Developed Countries									
United States	JAPAN	UK	OTHER	OTHER	AUSTRIA	CANADA	ITALY	W. GERMANY	
	65	18	17	37	5	10	11	37	
Japan	AUSTRIA		OTHER	OTHER		SPAIN	SW. ITALY	U.S.	
	95		5	45		7	7	34	
Canada	JAPAN	UK	OTHER	OTHER				U.S.	
	51	21	28	19				81	
European Community	NETHERLANDS	W. GERMANY	BELGIUM	CANADA	OTHER	OTHER	FRANCE	U.S.	SPAIN
	27	26	16	11	20	33	11	13	15
Other West Europe	JAPAN		SWEDEN	OTHER	OTHER	SPAIN	ITALY	W. GERMANY	
	65		9	26	27	13	27	33	
Other Developed	JAPAN	UK	BELG	OTHER	OTHER	W. GERMANY		U.S.	
	36	34	8	22	24	26		50	
Less Developed Countries									
Latin America	JAPAN	W. GERM.	UK	NETH	OTHER	SPAIN	CANADA	U.S.	
	50	17	6	6	25	8	9	10	73
Middle East	JAPAN	W. GERMANY	UK	OTHER	OTHER	NETH	FRANCE	ITALY	SPAIN
	45	33	7	15	15	8	8	15	15
Far East	JAPAN		FRANCE	NETH	OTHER	OTHER		U.S.	AUSTRIA
	80		8	7	5	63		18	19
Asia Africa	FRANCE	JAPAN	W. GERM.	OTHER	OTHER	CANADA	SPAIN	U.S.	UK
	58	17	8	17	35	12	14	15	24
Non-oil Exporting LDCs	FRANCE	JAPAN	W. GERM.	OTHER	OTHER	BEL	UK	SPAIN	CANADA
	34	32	21	13	23	10	10	10	14
Oil Exporting LDCs	JAPAN	W. GERM.	FRANCE	OTHER	OTHER	ITALY	SPAIN		U.S.
	42	19	15	24	10	7	15		58

Figure 5

Distribution of Winners and Losers in World Trade, 1978

MARKET

Losers

WINNERS

World

JAPAN	CHINA	UK	SWIT	OTHER	OTHER	GERM	AUS	FRANCE	US
53%	15%	13	8	11	17	5	6	16	56%

Developed Countries

United States

CANADA	SPAIN	NETH	FRANCE	ITALY	OTHER	OTHER	WGER	FIN	AUS	UK
23%	17	13	11	8	28	13	7	7	30	43%

Japan

AUSTRALIA	UK	CAN	OTHER	OTHER	FRANCE	US
59%	11	9	21	20	9	71%

Canada

JAPAN	UK	FRANCE	OTHER	OTHER	WGER	US
52%	19	12	17	8	19	73%

European Community

BELGIUM	NETH	ITALY	SWIT	JAPAN	OTH	OTH	WGER	WGER	UK	US
33%	13	11	11	11	21	24	10	11	17	38%

Other West Europe

WGER	JAPAN	SWIT	SWIT	OTHER	OTH	BELG	FRANCE	US
25%	21%	14	13	24	17	10	17	56%

Other Developed

UK	JAPAN	NETH	OTHER	OTHER	AUS	ITALY	US
32%	31%	13	19	37	15	23	28%

Less Developed Countries

Latin America

JAPAN	UK	CANADA	WGER	OTH	OTHER	FRANCE	US
37%	21%	11	12	16	13	19	68%

Middle East

US	WGER	UK	CAN	OTH	SWED	AUS	ITALY	FRANCE
44%	34	20	2	35	9	11%	14%	31%

Far East

JAPAN	UK	BELG	OTHER	OTHER	US
59%	16	7	18	14	86%

Asia Africa

UK	US	SWED	WGER	OTHER	OTHER	AUS	ITALY	FRANCE
40%	17	12	10	21	24	13	16%	47%

Non-oil exporting LDCs

JAPAN	UK	SWED	OTHER	OTHER	FINL	FRANCE	US
28%	24	8	36	18	8	11	63%

Oil Exporting LDCs

UK	WGER	OTHER	OTHER	SPAIN	US	FRANCE
47%	16	7	38%	9%	24%	21%

Markets excluding Iran

Middle East

UK	US	WGER	OTHER	OTH	AUS	SPAIN	SWED	FRANCE
46%	24	8	22	29	13	13	14	21%

Oil Exporting LDCs

UK	WGER	SWIT	OTHER	OTHER	SPAIN	FRANCE	US
55%	24	6	11	34	9%	21%	21%

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We used lagged relative US export prices to project US export trends in most markets through the end of 1980 and into 1981.* US relative export prices rose sharply during the first half of 1979, when the dollar appreciated against most currencies and inflation in the United States was outstripping the average of its competitors. Prices declined, however, in the third quarter when the value of the dollar dropped slightly. Based on the lagged effect of these price changes, we estimate that the US market share fell off sharply in third quarter 1980, but regained some lost ground in the fourth quarter. Nominal exports in 1980 should be up sharply; assuming a 12-percent increase in US export prices, nominal exports reached an estimated \$215 billion, an 18 percent jump over 1979.

Estimates of the possible range of nominal and real US export growth in 1981 can be made by combining projected growth of developed country export volume with assumed rates of US export price increase. Given the pessimistic outlook for recovery in the world economy in 1981, little or no growth in US export volume is likely. For example, the zero growth case for developed country export volume would yield only 0.6 percent growth in US export volume for the year. With a rise in US export prices in the range of 8 to 11 percent, however, nominal US exports would still show a moderate gain (see Table 5).

*The level of US exports is estimated as a function of US export prices, weighted competitor prices, and income in each of five developed country markets and four LDC regional markets. Total developed country exports to each market are used as a proxy for income. Projections for 1980 and 1981 are based on lagged export prices and assumed rates of growth for developed country exports.

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Table 5

United States: Projected Market Share and
Volume Growth of Exports, 1981

<u>Change in Developed Country Exports 1/</u>	<u>Growth 2/</u>	<u>Market Share</u>
-6	-5.9	21.8
-4	-3.7	21.9
-2	-1.6	22.0
0	0.6	22.1
2	2.7	22.1
4	4.9	22.2
6	7.1	22.3

UNITED STATES: Projected
Nominal Exports, 1981
(Million US\$)

<u>Change in Developed Country Exports 1/</u>	<u>Change in US Export Prices 1/</u>				
	<u>8</u>	<u>10</u>	<u>12</u>	<u>14</u>	<u>16</u>
-6	218	221	225	229	233
-4	223	227	230	234	238
-2	228	232	236	240	244
0	233	237	241	245	249
2	238	242	246	250	254
4	243	247	251	255	260
6	248	252	256	261	265

1/ Changes are assumed annual quarterly rates from 3rd quarter 1980 through 4th quarter 1981. The rate of growth is presumed to be constant through all six quarters.

2/ 1981 over 1980.

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Because the favorable trend in US relative export prices appears to have bottomed out in late ~~1979~~^{early} 1980, the US market share probably will increase only slightly in 1981.

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